

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 1648 - HB 1668**

March 11, 2018

**SUMMARY OF BILL:** Requires the Department of Audit, within the Office of the Comptroller of the Treasury (COT), to conduct efficiency and effectiveness analysis during certain state entity review audits.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – \$37,500/One-Time  
\$1,029,900/Recurring**

Assumptions:

- This legislation specifies the Department of Audit is to include specified efficiency and effectiveness information in entity review audits conducted on:
  - Department of Commerce and Insurance
  - Department of Education
  - Department of Environment and Conservation
  - Department of Health
  - Department of Human Resources
  - Department of Labor and Workforce Development
  - Department of General Services
  - Department of Finance and Administration
  - Department of Safety
  - Department of Transportation
  - Department of Human Services
  - Department of Children's Services
  - Department of Economic and Community Development
  - Tennessee Higher Education Commission
- Pursuant to Tenn. Code Ann. § 4-29-111(b), the COT is required to perform limited program review audits to aid the review of the Entity Review Evaluation Committee and is required, from time to time, to counsel and consult with the committee on its informational requirements on the governmental entities being reviewed.
- Based on information provided by COT, the average number of entity review audits conducted over the last three years is 23 per fiscal year.

**SB 1648 - HB 1668**

- Based on information provided by COT, a risk-based audit selection is utilized to select the entities that are required to undergo entity review audits.
- Pursuant to Tenn. Code Ann. §§ 4-29-240 through 4-29-243, the number of entities set to terminate is 56 entities in FY18-19, 53 entities in FY19-20, and 48 entities in FY20-21.
- This legislation would increase the number of audits and the complexity of information required to be reviewed by the COT.
- Based on information provided by the COT, 41 legislative auditors conduct entity review audits and are supervised by five Legislative Audit Managers and one Assistant Director.
- This legislation would require an increase in staff of one Legislative Audit Manager, five Legislative Auditor 4s, five Legislative Auditor 3s, and four Associate Legislative Research Analysts to fulfill additional audit requirements for a total of 15 new positions.
- The one-time increase in state expenditures associated with COT personnel is estimated to be \$37,500 (15 positions x \$2,500 equipment).
- The recurring increase in state expenditures associated with 15 additional COT personnel to comply with additional audit requirements is estimated to be \$1,029,851 (\$774,108 salary + \$237,243 benefits + \$15,000 travel + \$3,500 supplies).

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/amj